

MUNICIPAL CORPORATIONS COMMITTEE

DATE: August 15, 2005

CALLED TO ORDER: 4:35 p.m.

ADJOURNED: 5:55 p.m.

ATTENDANCE

Attending Members

Ron Gibson, Chair
Vernon Brown
Lonnell Conley
Sherron Franklin
Scott Keller
Isaac Randolph
Earl Salisbury

Absent Members

Budget Hearing

Capital Improvements Board
Airport Authority

MUNICIPAL CORPORATIONS COMMITTEE

The Municipal Corporations Committee of the City-County Council met on Monday, August 15, 2005. Chair Ron Gibson called the meeting to order at 4:35 p.m. with the following members present: Vernon Brown, Lonnell Conley, Sherron Franklin, Scott Keller, Isaac Randolph, and Earl Salisbury. Councillor Rozelle Boyd was also in attendance.

Capital Improvements Board

Barney Levengood, Executive Director, Indiana Convention Center & RCA Dome, introduced Dixie Gough, the Controller for the Indiana Convention Center & RCA Dome.

Mr. Levengood stated that the Capital Improvements Board has approved this budget and it is now ready for review by the Municipal Corporations Committee. The total Operating Fund budget is \$72,063,000, and the total Debt Service Fund is \$32,484,200.

Mr. Levengood stated that there is a lot going on, and he is anxious to discuss any questions the Committee may have.

Chair Gibson asked Mr. Levengood to give a break-down of the Debt Services. Mr. Levengood answered with the following figures:

Conseco Fieldhouse:	\$28,807,300
Principal – Bonds:	\$3,190,000
Interest – Bonds:	\$1,624,400
Interest – Jr. Subordinate Notes	\$862,500

Chair Gibson asked if the Operations Budget was flat compared to 2005. Mr. Levengood answered that there is a payment for repairs and maintenance included, but for all practical purposes it is flat. He added that there is an overall 6.2% request for increase in the budget.

Chair Gibson asked for an update on the new convention center and proposed new Colts Stadium. Mr. Levengood answered that lease negotiations continue, and there is hope of starting in August or September. He said the CIB Board has already awarded a demolition contract for some of the facilities that are south of South Street now. He said this is all in preparation for the construction of the new stadium.

Mr. Levengood stated that it is expected that the stadium will be completed in August of 2008, and completion of the Convention Center expansion is expected in the fall of 2010. He added that contract negotiations with the Indianapolis Colts are still ongoing, but things look very optimistic.

Chair Gibson asked if there has been any discussion about the 6.2% increase by the CIB Board. Mr. Levengood answered that because of some of the issues right now, in particular with the Convention Center business, wages have been of concern, but the Board recognizes that it may be essential to spend money in order to make more.

Councillor Franklin asked about the new turf in the RCA Dome. Mr. Levensgood stated that the new turf was laid in June and paid for entirely by the Colts. There were no taxpayer dollars used.

Councillor Keller referred to Character 03 of the Operating Fund and asked about Subobject 399 (funding from the Arts, Colts Suites payments, Indiana Black Expo Grant, etc.). He asked if this was common for other CIB's around the country. Mr. Levensgood said he is not sure what other cities do, but Indianapolis does have unique opportunities to further each organization's mission. Tourism is a top priority.

Councillor Boyd complimented Fred Glass, President of the CIB, and Mr. Levensgood, and stated that they have continued to do excellent work for the City, and he feels positive about future development.

Airport Authority

Patrick Dooley, Executive Director, Airport Authority, discussed the update and overview. He discussed in detail:

- *Indianapolis International Airport Facts and Statistics (Exhibit A)*
- *Passenger Activity (Exhibit B)*
- *Service (Exhibit C)*
- *Carrier Availability (Exhibit D)*
- *Monthly Passenger Report (Exhibit E)*
- *Airline Activity (Exhibit F)*
- *Cargo Activity (Exhibit G). Mr. Dooley noted that Indianapolis is particularly interested in cargo trade with Asia, specifically China, and said that this is a goal they continue to work toward.*

Marsha Stone, Finance Director, Airport Authority, discussed the actual budget review. She explained the unique nature of the Airport financing. She said that there are Operating and Maintenance Costs, as well as Capital-Related Costs (Debt Service, Amortization, Other). There is also Non-Airline Revenue, which includes parking revenue, retail, and property tax revenues.

Ms. Stone explained that operating costs are funded by the airlines. She said there is a residual rate-making model where the bottom-line net costs to operate the Airport go back to the airlines to cover the costs. The Airport's goal is to continue to grow Non-Airline Revenues and control costs so that costs can be minimized for the air carriers. She added that there are no local tax dollars required to support the current operations of the airport or the Midfield Terminal Program.

Ms. Stone discussed in detail:

- *2006 Revenue Overview (Exhibit H). The total operating budget for 2006 is \$150,174,000. The Airport is proposing a \$1.74 rate reduction.*
- *Non-Airline Revenue (Exhibit I)*
- *2006 Expense Overview (Exhibit J)*
- *Diversity Program Professional Services and Construction (Exhibit K)*
- *System Fund Expenses (Exhibit L)*
- *2006 Capital Budget (Exhibit M)*
- *2006 Capital Funding (Exhibit N)*

John Kish, Midfield Project Director, discussed the Midfield Terminal Program. He illustrated the Airport area utilizing photographs dating back to the 1970's and showed the changes over the decades. Exhibit O discusses the Midfield Terminal (design, parking, etc.). Exhibit P highlights airline passenger costs.

Mr. Kish stated that the 2001 Airline Use Agreement set a budget of \$808 million measured in Year 2000 dollars. The Midfield was originally estimated to open in July 2007 with a total expenditure of \$939 million (after adjustment for inflation).

Mr. Kish explained the new Indianapolis Airport Project Budget Buildup as follows:

Core Midfield Terminal	\$660,000,000
Uncommitted/Savings	\$29,000,000
Special Items	\$204,000,000
Soft Costs	<u>\$173,000,000</u>
TOTAL	\$1,066,000,000

Exhibit Q illustrates the cost estimate as of May 2005. Exhibit R illustrates "Special Items" that are included. Mr. Kish noted that no taxes were used for this project. It is funded with bonds.

Councillor Conley stated that he was disappointed in the low MBE and WBE numbers. Mr. Kish said that the Airport has not been as successful in providing opportunities. Most of the work that is being done does not provide for much subcontracting activity. He said the Airport is looking at other options for improving the numbers.

Councillor Conley asked about dialogue concerning JetBlue Airways, which is a low-fare passenger airline operating primarily on point-to-point routes. Mr. Dooley said discussions continue with JetBlue, and the Airport has been told service will begin at some point in the future; hopefully sometime in 2006.

Councillor Randolph asked about the percentage of growth in the amount of airline revenue per year. Ms. Stone answered that the percentage is approximately 6% built into the 2006 budget. The Airport is projecting approximately 5% for future years.

Councillor Randolph asked, if some airlines would fail to renew their lease, to what degree does this decrease the revenue and baseline below what is budgeted for 2006. Mr. Dooley responded that the Airport took a big hit last year with ATA's reduction from 48 flights to 4. He said that the Airport has rebounded in the last year with other carriers picking up flights and that this speaks to the fact that the market is still strong. Ms. Stone noted that the Airport also has the ability to adjust rates to the carriers. She added that if a carrier did pull out, the Airport does have enough in terms of projected non-airline revenues to sustain for a period of time.

Councillor Salisbury distributed a map illustrating a piece of property near the Holiday Inn at the Airport. He said he objects to the Airport's claim of no local tax dollars being used. He pointed to a property identified as #9048191, which is next to the Holiday Inn. He said the Holiday Inn pays property taxes but has a triangular parking lot that does not pay property taxes because it leases it from the Airport. He said this is also true of the Lilly hangar, the Simon hangar, and tons of other property out that way where normally the taxes would go to Wayne Township; or, in the case of the Federal Express facility, would go to Decatur Township. He asked why the Holiday Inn pays property taxes and the Radisson Hotel, across the street, does not. He corrected himself and said the Radisson pays, but they pay to the Airport. He added that the Airport does not even recognize the Tax Increment Financing (TIF) districts at all.

Mr. Dooley said he would be happy to look specifically at the items that Councillor Salisbury has discussed. He said in terms of the hotels, Dena's Daycare, etc., these are located within the Airport facility. The Airport maintains all of the roads, the landscaping, the infrastructure, the police and fire protection, all of the amenities that a community would normally provide to a business. He said that is where they are paying their rent for the Airport. These are facilities that do not have to be provided for by the township because it is handled by the Airport Authority.

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Chair Gibson discussed ATA's bankruptcy and asked how George Mikelson's retirement has affected ATA overall. Mr. Dooley answered that many believed Mr. Mikelson's retirement would happen, even prior to filing for bankruptcy.

Chair Gibson asked if the Airport Board has approved the budget. Ms. Stone said the final approval would be August 19th.

With no further business pending, and upon motion duly made, the Municipal Corporations Committee of the City-County Council was adjourned at 5:55 p.m.

Respectfully submitted,

Ron Gibson, Chair
Municipal Corporations Committee

RG/hfs